



## CITY OF LODI

## COUNCIL COMMUNICATION

AGENDA TITLE: Approve the Agreement Required for Replacement of Surety Firm Underwriting the Performance Bond Pursuant to Interconnection Agreement Between PG&E and Northern California Power Agency (NCPA).

This Action Requires Approval of "General Agreement of Indemnity" and "Bill Guaranty Bond" Documents modified to Reflect Substitution of Surety.

MEETING DATE: June 20, 1991

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Approve "General Agreement of Indemnity" and "Bill Guaranty Bond" to Pacific Gas & Electric Company and authorize the City Manager and City Clerk to execute the agreements in the form requested by NCPA.

BACKGROUND INFORMATION: NCPA has requested execution of the subject documents to reflect the fact that the Firemen's Insurance Company issue the bond at a reduced fee providing the same level of bonding formerly available.


The Performance Bond required under the NCPA Interconnection Agreement with the Pacific Gas & Electric Company was reduced from a \$25 million bond to a \$12,500,000 bond. In the past, two companies had each provided half of the required bond.

The Firemen's Insurance Company has agreed to provide the bond for a fee of \$62,500. This represents a \$25,000 savings from the fee charged by the two former companies providing the same level of bonding.

However, each time the bonding company is changed, NCPA is required to obtain new documentation from each Interconnected member. This documentation is substantially the same as that required in the past and has been reviewed by the NCPA General Counsel.

Expeditious handling of this matter will help ensure our ability to maintain the bond in compliance with the provisions of the Interconnection Agreement.

FUNDING: N/A

  
Henry J. Rice  
Electric Utility Director

APPROVED: 

THOMAS A. PETERSON  
City Manager



CITY COUNCIL

DAVID M HINCHMAN, Mayor  
JAMES W PINKERTON, Jr  
Mayor Pro Tempore  
PHILLIP A PENNINO  
JACK A SIEGLOCK  
JOHN R (Randy) SNIDER

# CITY OF LODI

CITY HALL, 221 WEST PINE STREET  
P.O. BOX 3006  
LODI, CALIFORNIA 95241-1910  
(209) 334-5634  
FAX (209) 333.6795

THOMAS A PETERSON  
City Manager

ALICE M REIMCHE  
City Clerk

BOB McNATT  
City Attorney

June 25, 1992

Mr. Dale B. Lain  
Northern California Power Agency  
180 Cirby Way  
Roseville, CA 95678

Subject: PG&E Performance  
Bond Renewal

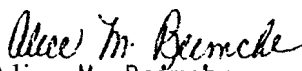
Dear Mr. Lain:

Please be advised that the Lodi City Council in action taken at its adjourned regular meeting of June 20, 1991 adopted Resolution No. 91-110 approving the agreement required for replacement of surety firm underwriting the Performance Bond pursuant to Interconnection Agreement between Pacific Gas and Electric (PG&E) and Northern California Power Agency (NCPA).

Pursuant to your June 6, 1991 letter please find enclosed 1) signed original - Agreement of Indemnity counter part signature page and 2) certified copy of the authorizing Resolution No. 91-110.

Should you have any questions, please do not hesitate to call this office.

Very truly yours,

  
Alice M. Reimche  
City Clerk

AMR/jmp

Enclosures

## AGREEMENT OF INDEMNITY

This Agreement entered into by and between the undersigned, herein called the Indemnitors, and Firemen's Insurance Company of Newark, New Jersey herein called the Surety, witnesseth: WHEREAS, in the transaction of business certain bonds, undertakings and other writings obligatory in the nature of a bond have heretofore been, and may hereafter be, required by, for, or on behalf of the Indemnitors or any one or more of the parties included in the designation Indemnitors, and application **has** been made and will hereafter be made to the Surety to execute such bonds, and as a prerequisite to the execution of such bond or bonds, the Surety **requires** Complete indemnification.

NOW, **THEREFORE**, in consideration of the premises, and for other good and valuable considerations, each Indemnitor does, for itself, its heirs, executors, **administrators** and assigns, separately agree with the Surety, insofar as such Indemnitor's obligation to Pacific Gas and Electric Company, under the terms and conditions of said Interconnection Agreement, Section 9.5.3 a through k dated July 29, 1983, shall extend as **follows**:

1. The Indemnitors will pay to the Surety premiums and charges of the Surety, and will continue to **pay** the same where such premium or charge **is** annual, until the Surety shall be discharged and released from any and all liability and responsibility upon and from each such bond or matters arising therefrom, and until the Indemnitors shall deliver to the Surety competent written evidence satisfactory to the Surety of its discharge from **all** liability on such bond or bonds.

2. The Indemnitors will indemnify and hold the Surety harmless from and against every claim, demand, liability, cost, charge, suit, judgment and expense which the Surety **may** pay or incur in consequence of having executed, or procured the execution of, such bond, or any renewals or continuations thereof or substitutes therefor, including **fees** of attorneys, **whether on salary, retainer or otherwise**, and the **expense** of procuring, or attempting to procure, release from liability, or **in bringing suit to enforce the obligations** of any of the Indemnitors under this Agreement. In the event of payment by the Surety, the Indemnitors agree to accept the **voucher** or other evidence of such payment as prima facie evidence of the propriety thereof, and of the Indemnitors' liability therefor to the Surety.

3. If the Surety shall set up a **reserve** to cover any claim, suit or judgment under any such bond, the Indemnitors will, immediately upon demand, deposit with the surety a sum of money equal to such reserve, such sum to be held by the Surety as collateral security on such bond, and such sum and any other money or property **which** shall have been, or shall hereafter be, pledged as collateral security on **any such bond shall**, unless **otherwise** agreed in writing by the Surety, be **available**, in the discretion of the Surety, as

collateral security on any other or all bonds coming within the scope of this Agreement.

4. The Indemnitors immediately upon becoming aware of any demand, notice, or proceeding preliminary to determining or fixing any liability with which the Surety may be subsequently charged under any such bond, shall notify the Surety thereof in writing at its **Legal** Dept., 180 Maiden Lane, New York, NY 10038, Attn: Surety Bonds.

5. The Surety shall have the exclusive right to determine for itself and the Indemnitors whether any claim or suit brought against the Surety or the Principal upon any such bond shall be settled or defended and its decision shall be binding and conclusive upon the Indemnitors.

6. That it shall not ~~be~~ necessary for the Surety to give the Indemnitors, or any one or more of them, notice of the execution of any such bonds, nor of any fact or information coming to the notice or knowledge of the Surety affecting its rights or liabilities, or the rights or liabilities of the Indemnitors under any such bond executed by it, notice of all such being hereby expressly waived.

7. In the event of any claim or demand being made by the Surety against the Indemnitors, or any ~~one~~ or more of the parties so designated, **by** reason of the execution of a bond or bonds, the Surety is hereby expressly authorized to settle with any or more of the Indemnitors individually, and without reference to the others, **and** such settlement or composition shall not affect the liability of any of the others, and we hereby expressly waive the right to be discharged and released by reason of the release of any or more the joint debtors.

8. The Surety at its option may decline to execute or participate in, or procure the execution of, any such bonds without incurring any liability whatever.

9. If the Surety procures the execution of such bonds by other companies, or executes such bonds with cosureties, or reinsures any portions of such bonds with reinsuring companies, then all the terms and conditions of this Agreement shall apply and operate for **the** benefit of such other **companies**, cosureties and reinsurers as their interest may appear.

10. The liability of the Indemnitors hereunder shall not be affected by the failure of the Principal to sign any such bond, nor by any claim that any other indemnity or security was to **have** been obtained, nor by the release of any indemnity, or the return or exchange of any collateral that may have been obtained and if any party signing this Agreement is not bound for any reason, this Agreement shall still be binding upon each and every other party.

11. The Agreement may be terminated by the Indemnitors, or any one or more of the parties so designated, upon written notice to the Surety of not less than 30 days, but any such notice of termination

shall not operate to modify, bar or discharge the liability of any party hereto, upon and by reason of any and all such obligations that may be then in force. Written notice should be directed to the Surety's Legal Dept., 180 Maiden Lane, New York, NY 10038, Attn: Surety Bonds.

12. Indemnitors agree that their liability shall be construed as the liability of a compensated Surety, as broadly as the liability of the Surety is construed toward its obligee.

13. The word Indemnitors, or personal pronouns used to refer to said word, shall apply regardless of number or gender, and to individuals, partnerships or corporations, as the circumstances require.

14. The Indemnitors agree and acknowledge that this Agreement of Indemnity is intended to constitute a Security Agreement enforceable under Article 9 of the Uniform Commercial Code, as now or hereafter in force in any jurisdiction. The Indemnitors and each of them hereby constitute and appoint any officer, employee or agent of the Surety as their attorney to execute and file on their behalf such forms or other documents (including, without limitation, financing statements: as shall be required, or, in the Surety's judgments, shall be necessary to perfect the security interest granted in this Agreement of Indemnity. Notwithstanding any other provision of this Agreement of Indemnity. Notwithstanding any other provision of this Agreement of Indemnity or any law of any jurisdiction to the contrary, the Surety is expressly authorized to file financing statements with respect to any security interest the Surety may have, at any time in any jurisdiction, with or without default, and whether or not such security interest is perfected or would be perfected by such filing.

15. THE INDEMNITORS HEREBY ACKNOWLEDGE THAT THIS AGREEMENT IS INTENDED TO COVER WHATEVER BONDS (WETHER OR NOT COVERED BY ANY OTHER AGREEMENT OF INDEMNITY SIGNED AT ANY TIME BY ONE OR MORE OF THE INDEMNITORS - ALL OTHER AGREEMENTS OF INDEMNITY OF ANY KIND BEING SUPPLEMENTAL TO THIS) MAY HAVE BEEN EXECUTED BY THE SURETY PRIOR HERETO OR MAY IN THE FUTURE BE EXECUTED ON BEHALF OF THE INDEMNITORS, OR ANY ONE OF THEM (WHETHER CONTRACTING ALONE OR AS A JOINT OR CO-ADVENTURER), SAID FUTURE TO BE FOR AN INDEFINITE PERIOD OF YEARS UNTIL THIS AGREEMENT SHALL BE CANCELLED IN ACCORDANCE WITH THE TERMS THEREOF.

16. WE HAVE READ THIS AGREEMENT OF INDEMNITY CAREFULLY. THERE ARE NO SEPARATE AGREEMENTS OR UNDERSTANDINGS WHICH IN ANY WAY LESSEN OUR OBLIGATIONS AS ABOVE SET FORTH.

IN TESTIMONY WHEREOF, the Indemnitors have hereunto **set** their hands and fixed **their seals** this 20<sup>th</sup> day of June, 1991.

INDEMNITORS

NORTHERN CALIFORNIA **POWER** AGENCY

THE CITY OF **LOMPOC**

by : \_\_\_\_\_

by : \_\_\_\_\_

THE CITY OF **ALAMEDA**

THE CITY OF **PALO ALTO**

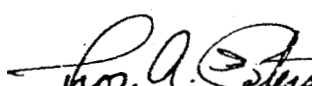
by : \_\_\_\_\_

by : \_\_\_\_\_

THE CITY OF **LODI**

Attest:

**THE CITY OF BIGGS**

 Alice M. Reimche  
City Clerk  
by: **Thomas A. Peterson**  
City Manager

by : \_\_\_\_\_

THE CITY OF **ROSEVILLE**

THE CITY OF **GRIDLEY**

by : \_\_\_\_\_

by : \_\_\_\_\_

THE CITY OF **UKIAH**

**TRE PLUMAS-SIERRA RURAL  
ELECTRIC COOPERATIVE**

by : \_\_\_\_\_

by : \_\_\_\_\_

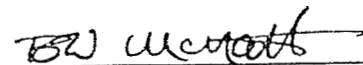
THE CITY OF **HEALDSBURG**

by : \_\_\_\_\_

by : \_\_\_\_\_

IMPORTANT: X U SIGNATURES MUST BE RATIFIED

Approved as to form:

  
Bobby W. McNatt, City Attorney  
City of Lodi

## BILL GUARANTY BOND

Bond No.: BNS 1317999

Premium: \$62,500.00

## KNOW ALL MEN BY THESE PRESENTS:

That we, Northern California Power Agency, hereinafter known as Principal, and Firemen's Insurance Company of Newark, New Jersey, duly organized under the laws of the State of New Jersey (hereinafter called Surety), as Surety, are held and firmly bound unto PACIFIC GAS AND ELECTRIC COMPANY (hereinafter called "Obligee"), the sum of TWELVE MILLION FIVE HUNDRED THOUSAND AND 00/100 . . . . DOLLARS (\$12,500,000.00) for the payment of which sum well and truly to be made, we, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally firmly by these presents.

Sealed with our seals and dated this 15th day of January, 1991.

THE CONDITION OF THIS OBLIGATIONS IS SUCH, that whereas the Principal entered into a certain Interconnection Agreement with the Obligee, dated September 14, 1983 for the

## Payment of services

in accordance with the terms and conditions of said Interconnection Agreement, Section 9.5.3, a. through k., which is hereby referred to and made a part hereof as if fully set forth herein, and excluding all other portions of the Interconnection Agreement:

HOW THEREFORE, THE CONDITION OF THIS OBLIGATIONS IS SUCH, that if the above bounden Principal shall well and truly keep, do and perform each and every, all and singular, the matters and things in said Interconnection Agreement, Section 9.5.3 a. through k., set forth and specified to be by said Principal kept, done and performed, at the times and in the manner in said contract specified, or shall pay over, make good and reimburse to the above Obligee, all loss and damage which said Obligee may sustain by reason of failure or default on the part of said Principal so to do, then this obligation shall be null and void; otherwise shall remain in full force and effect.

PROVIDED HOWEVER, that this guaranty shall at all times be subject to such changes or modifications by the Federal Energy Regulatory Commission as said Commission may, from time to time, direct in the exercise of its jurisdiction.

AND PROVIDED FURTHER that the term of this guarantee shall be twelve (12) months from the effective date of this guarantee unless the Interconnection Agreement is terminated sooner. This guarantee may be extended by rider but will be null and void if the Interconnection Agreement is terminated.

PRINCIPAL

NORTHERN CALIFORNIA POWER AGENCY

Wale B. Linn  
by: Treasury Controller

S U M

FIREMEN'S INSURANCE COMPANY OF  
NEWARK, NEW JERSEY

J. Craig Redell  
by: J. Craig Redell, Attorney

RESOLUTION NO. 91-110

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A RESOLUTION OF THE LODI CITY COUNCIL  
APPROVING THE "GENERAL AGREEMENT OF INDEMNITY" AND "BILL GUARANTY BOND"  
FOR REPLACEMENT OF SURETY FIRM UNDERWRITING THE PERFORMANCE BOND  
PURSUANT TO INTERCONNECTION AGREEMENT BETWEEN PACIFIC GAS AND ELECTRIC  
COMPANY AND NORTHERN CALIFORNIA POWER AGENCY.

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WHEREAS, the Northern California Power Agency has requested execution of the necessary documents to reflect the fact that the Fireman's Insurance Company in the underwriting of the performance bond required by Pacific Gas and Electric Company pursuant to the Interconnection Agreement dated July 29, 1983 between Pacific Gas and Electric Company and Northern California Power Agency, will issue the bond at a reduced fee providing the same level of bonding formerly available;

NOW, THEREFORE, BE IT RESOLVED, that the City Manager and City Clerk are hereby authorized to execute the General Agreement of Indemnity and Bill Guaranty Bond documents, modified to reflect said substitution of surety in the form requested by the Northern California Power Agency.

Dated: June 20, 1991

=====

I hereby certify that Resolution No. 91-110 was passed and adopted by the Lodi City Council in an adjourned regular meeting held June 20, 1991 by the following vote:

Ayes: Council Members - Pinkerton, Sieglock and Hinchman  
(Mayor)

Noes: Council Members - None

Absent: Council Members - Snider

Abstain: Council Members - Pennino

*Alice M. Rdimche*  
Alice M. Rdimche  
City Clerk

91-110

RES91110/TXTA.02J



**NCPA** A Public Agency

**Northern California Power Agency**

180 Kirby Way, Roseville California 95678

**MICHAEL W. McDONALD**

General Manager

(916) 781-4210

June 6, 1991

TO: Interconnected Member Representatives  
Utility Directors

SUBJECT PG&E Performance Bond Renewal

The Performance Bond required under the NCPA Interconnection Agreement with the Pacific Gas & Electric Company was reduced from a \$25 million bond to a \$12,500,000 bond. In the past two companies had each provided half of the required bond.

(A, ) The Firemen's Insurance Company has agreed to provide the bond for a fee of \$62,500. This represents a \$25,000 savings from the fee charged by the two former companies providing the same level of bonding.

However, each time the bonding company is changed, <sup>NCPA is</sup> we are required to obtain new documentation from each Interconnected member. This documentation is substantially the same as that required in the past and has been reviewed by the NCPA General Counsel.

Enclosed are an original and one copy of the following documents:

1. AGREEMENT OF INDEMNITY (Return Signed Counterpart Signature Page Only)
2. BILL GUARANTY BOND (Information Only)
3. COPY OF YOUR ORIGINAL RESOLUTION authorizing and ratifying execution of the aforementioned documents (Information Only)

In the enclosed self-addressed envelope, please return the signed original (1) Agreement of Indemnity counter part signature page and (2) Your Resolution authorizing the execution of these documents.

Your expeditious handling of this matter will be greatly appreciated. If you have any questions, **please** contact me at (916) 781-4210.

Sincerely,

*Dale B. Lain*

DALE B. LAIN

Treasurer-Controller

Enclosures (3)

RECEIVED

JUN 10 1991

Electric Utility Dept.

RESOLUTION NO. 88-173

**A RESOLUTION OF THE LODI CITY COUNCIL  
APPROVING THE AGREEMENT REQUIRED FOR REPLACEMENT OF SURETY FIRM  
UNDERWRITING THE PERFORMANCE BOND PURSUANT TO INTERCONNECTION AGREEMENT  
BETWEEN PG&E AND NORTHERN CALIFORNIA POWER AGENCY**

WHEREAS, the Northern California Power Agency has requested execution of the necessary documents to reflect the fact that one of the original surety firms, Aetna, underwriting the performance bond required by Pacific Gas and Electric Company pursuant to the Interconnection Agreement dated July 29, 1983 between PG&E and Northern California Power Agency, has discontinued writing such bonds and a substitute surety firm, The Travelers Indemnity Company, has agreed to take over for Aetna;

NOW, THEREFORE, BE IT RESOLVED that the City Manager and City Clerk are hereby authorized to execute the General Agreement of Indemnity and Bill Guaranty Bond documents, modified to reflect said substitution of surety, in the form requested by the Northern California Power Agency

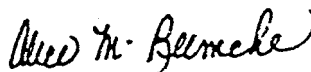
Dated: December 21, 1988

I hereby certify that Resolution No. 88-173 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 21, 1988 by the following vote:

Ayes : Council Members - Hinchman, Olson, Reid, Snider and  
Pinkerton (Mayor)

Noes : Council Members - None

Absent: Council Members - None

  
Alice M. Reimche  
City Clerk